

**ONAWAY AREA AMBULANCE SERVICE  
ONAWAY, MICHIGAN**

Financial Statements  
For the Year Ended  
March 31, 2007

**Prepared By:**

Richard E. Mahlmeister, C.P.A., P.C.  
580 South Nicolet, P.O.Box 996  
Mackinaw City, MI 49701

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Onaway Area Ambulance Service	County Presque Isle
Fiscal Year End March 31, 2007	Opinion Date August 17, 2007	Date Audit Report Submitted to State August 24, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

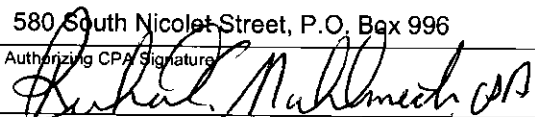
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**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Richard E. Mahlmeister, CPA, PC		Telephone Number 231-436-5223	
Street Address 580 South Nicolet Street, P.O. Box 996		City Mackinaw City	State MI
Authorizing CPA Signature 		Printed Name Richard E. Mahlmeister, CPA	Zip 49701
		License Number 17351	

***ONAWAY AREA AMBULANCE SERVICE***

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INDEPENDENT AUDITOR'S REPORT

August 17, 2007

Members of the Board  
Onaway Area Ambulance Service  
Onaway, Michigan

I have audited the accompanying financial statements of the governmental activities and the major fund of the **Onaway Area Ambulance Service, Onaway, Michigan**, as of and for the year ended March 31, 2007, which collectively comprise the **Onaway Area Ambulance Service's** basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **Onaway Area Ambulance Service's** management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund of the **Onaway Area Ambulance Service, Onaway, Michigan**, as of March 31, 2007, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 4 and 18, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.



Richard E. Mahlmeister, C.P.A.

## ***ONAWAY AREA AMBULANCE SERVICE***

### ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

This section of the Onaway Area Ambulance Service's (The Service) annual financial report presents our discussion and analysis of The Service's financial performance during the fiscal year ended March 31, 2007. Please read it in conjunction with the financial statements, which immediately follow this section.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of The Service as a whole and present a longer-term view of The Service's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. The fund financial statements also report the Service's operations in more detail than the government-wide financial statements.

#### **FINANCIAL HIGHLIGHTS**

Assets at March 31, 2007 totaled \$576,850. Of the total, \$174,984 represents capital assets, net of depreciation.

Overall revenues were \$363,394 (\$265,743 from charges for services, \$933 from operating grants and contributions, \$8,655 from capital grants and contributions \$88,063 from general revenues). Overall expenses in the statement of activities were \$333,116.

The Service has no debt and capital asset activity is addressed further in a subsequent section of this letter.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of The Service.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year March 31, 2007.

The remaining statements are fund financial statements, which focus on individual parts of The Service in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about The Service as a whole, using accounting methods used by private companies.

## **ONAWAY AREA AMBULANCE SERVICE**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)**

The statement of net assets includes all of The Service's assets and liabilities. The statement of activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between The Service's assets and liabilities. This is one method to measure our financial health or position. Over time, increases or decreases in The Service's net assets are an indicator of whether financial position is improving or deteriorating.

#### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about The Service's funds. Funds are used to account for specific activities or funding sources. Funds are established to account for funding of specific financial resources and to show proper expenditure of those resources.

The Service has only the following type of fund:

#### **Governmental Fund**

The Service's activities are included in one fund, classified in the governmental fund category. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between The Service's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

#### **FUND ANALYSIS OF THE SERVICE AS A WHOLE**

The comparison of net assets of governmental activities from year to year serves to measure a government's financial position.

	<b>GOVERNMENTAL ACTIVITIES</b>	
	<b>2007</b>	<b>2006</b>
<b>Assets:</b>		
Current assets	\$401,866	\$346,990
Capital assets (net)	174,984	199,638
Total assets	<u>\$576,850</u>	<u>\$546,628</u>
<b>Liabilities:</b>		
Current liabilities	\$9,980	\$10,294
Noncurrent liabilities	1,220	962
Total Liabilities	<u>\$11,200</u>	<u>\$11,256</u>
<b>Net assets:</b>		
Invested in capital assets	\$174,984	\$199,638
Unrestricted	390,666	335,734
Total Net Assets	<u>\$565,650</u>	<u>\$535,372</u>

## **ONAWAY AREA AMBULANCE SERVICE**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

#### **FUND ANALYSIS OF THE SERVICE AS A WHOLE (CONTINUED)**

The following table summarizes the results of the changes in net assets of the Service:

	<b>GOVERNMENTAL ACTIVITIES</b>	
	<b>2007</b>	<b>2006</b>
<b>REVENUES:</b>		
Program revenues:		
Charges for services	\$265,743	\$234,854
Operating grants and contributions	933	-
Capital grants and contributions	8,655	4,400
General revenues:		
Contributions from local units	78,946	84,110
Interest income	9,117	5,271
Other	-	1,675
Total Revenues	<u>\$363,394</u>	<u>\$330,310</u>
<b>EXPENSES:</b>		
Health and welfare	\$333,116	\$324,198
Interest on long-term debt	-	110
Total Expenses	<u>\$333,116</u>	<u>\$324,308</u>
<b>NET ASSETS:</b>		
Increase in net assets	\$30,278	\$6,002
Beginning net assets	535,372	529,370
Ending net assets	<u>\$565,650</u>	<u>\$535,372</u>

Net assets increased by \$30,278. Charges for service have increased \$30,889, as billings and billing procedure changes have been implemented. All other revenues have remained stable contributions from the participating units have also decreased due to the loss of one of the participating units in the previous year. Interest income is up due to more of our cash resources being invested in bank certificates of deposits. Overall expenses have remained relatively stable.

#### **FINANCIAL ANALYSIS OF THE SERVICE'S FUND**

The governmental activities paid \$299,549 for ambulance operations.

The Service's governmental activities made investments in capital assets of \$8,655.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

At March 31, 2007, the Service had \$174,984 (net of depreciation) invested in a building, ambulances, medical and office equipment, with no related debt.

#### **BUDGETARY HIGHLIGHTS**

Overall there are no significant differences between the original and actual budget.

## ***ONAWAY AREA AMBULANCE SERVICE***

### ***MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)***

#### **KNOWN FACTORS AFFECTING FUTURE OPERATIONS**

The Service's revenue is dependent on continuing contributions from the participating government units, services provided, and contributions from the public

#### **CONTACTING MANAGEMENT**

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Onaway Area Ambulance Service's finances and to demonstrate The Service's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact the Chairman at 989.733.4166.



David Webster  
Chairman



Bernard Schmeltzer  
Vice-Chairman



## **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**ONAWAY AREA AMBULANCE SERVICE**  
**STATEMENT OF NET ASSETS**  
**MARCH 31, 2007**

<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>
Cash and cash equivalents	\$70,443
Investments	261,308
Accounts receivable (net of allowance for doubtful accounts of \$15,687)	70,115
Capital assets (net of accumulated depreciation)	<u>174,984</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>576,850</u></b>
 <b><u>LIABILITIES</u></b>	
Accounts payable	1,454
Accrued wages and related liabilities	8,526
Compensated absences - noncurrent	<u>1,220</u>
<b><u>TOTAL LIABILITIES</u></b>	<b><u>11,200</u></b>
 <b><u>NET ASSETS</u></b>	
Invested in capital assets	174,984
Unrestricted	<u>390,666</u>
<b><u>TOTAL NET ASSETS</u></b>	<b><u>\$565,650</u></b>

The accompanying notes are an integral part of these financial statements.

**ONAWAY AREA AMBULANCE SERVICE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2007**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities			
Health and welfare	\$333,116	\$265,743	\$933
Total governmental activities	333,116	265,743	933
General Revenues			
Contributions from local units			
Unrestricted interest income			
Total general revenues			
Change in net assets			
Net assets, beginning of year			
Net assets, end of year			

The accompanying notes are an integral part of these financial statements.

<b>Net (Expense) Revenue and Changes in Net Assets</b>	
<b>Capital Grants and Contributions</b>	<b>TOTAL</b>
<u>\$8,655</u>	<u>(\$57,785)</u>
<u>8,655</u>	<u>(57,785)</u>
	<u>78,946</u>
	<u>9,117</u>
	<u>88,063</u>
	<u>30,278</u>
	<u>535,372</u>
	<u>\$565,650</u>

**ONAWAY AREA AMBULANCE SERVICE  
BALANCE SHEET - GOVERNMENTAL FUND  
MARCH 31, 2007**

<b><u>ASSETS</u></b>	<b><u>GOVERNMENTAL ACTIVITIES</u></b>
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$70,443
Investments	261,308
Accounts receivable (net of allowance for doubtful accounts of \$15,687)	70,115
<b>TOTAL ASSETS</b>	<b>\$401,866</b>
 <b>LIABILITIES AND FUND EQUITY</b>	
<b>LIABILITIES:</b>	
Accounts payable	\$1,454
Accrued wages and related liabilities	8,526
<b>TOTAL LIABILITIES</b>	<b>9,980</b>
 <b>FUND EQUITY</b>	
<b>Fund balance:</b>	
Reserved for ambulance replacement	123,110
Reserved for equipment replacement	10,000
Reserved for building	6,000
Unreserved, undesignated	252,776
<b>TOTAL FUND EQUITY</b>	<b>391,886</b>
 <b><u>TOTAL LIABILITIES AND FUND EQUITY</u></b>	<b><u>\$401,866</u></b>

The accompanying notes are an integral part of these financial statements.

**ONAWAY AREA AMBULANCE SERVICE  
BALANCE SHEET - GOVERNMENTAL FUND  
MARCH 31, 2007**

Reconciliation of fund balance on the balance sheet for the governmental activity  
to the statement of net assets

<b>FUND BALANCE - TOTAL GOVERNMENTAL FUND</b>	<b>\$391,886</b>
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported in the funds.

Add: capital assets	382,865
Subtract: accumulated depreciation	(207,881)

Certain liabilities are not due and payable in the current period, and therefore  
are not reported in the funds.

Subtract: compensated absences	(1,220)
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<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$565,650</u></b>
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The accompanying notes are an integral part of these financial statements.

**ONAWAY AREA AMBULANCE SERVICE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2007**

**REVENUES**

Contributions from local units	\$78,946
Charges for services - sales	233,403
Charges for services - subscriptions	32,340
Interest	9,117
Contributions and donations from private sources	9,588

<b>TOTAL REVENUES</b>	<b>363,394</b>
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**EXPENDITURES**

**Current:**

**Health and welfare:**

Salaries, wages and benefits	221,505
Billings and collections	7,948
Communications	3,460
Transportation	11,976
Education and training	193
Promotion	1,386
Professional services	3,175
Repairs and maintenance	13,701
Supplies - medical	18,442
Supplies - office	1,425
Utilities	6,170
Insurance	6,075
Other	4,093
Capital Outlay	8,655

<b>TOTAL EXPENDITURES</b>	<b>308,204</b>
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<b>REVENUES OVER EXPENDITURES</b>	<b>55,190</b>
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<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>336,696</b>
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<b>FUND BALANCE, END OF YEAR</b>	<b>\$391,886</b>
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The accompanying notes are an integral part of these financial statements.



**ONAWAY AREA AMBULANCE SERVICE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED MARCH 31, 2007**

Reconciliation of statement of revenues, expenditures and changes in fund balance of  
the governmental fund to the statement of activities

**CHANGE IN FUND BALANCE - GOVERNMENTAL FUND** **\$55,190**

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, those costs  
are allocated over their useful lives as annual depreciation expense in the statement  
of activities.

Add: capital outlay capitalized during the current year	8,655
Subtract: depreciation expense	(33,309)

Repayment of bond and note principal is an expenditure in the governmental fund,  
however, it reduces long-term liabilities in the statement of net assets.

Some expenses reported in the statement of activities do not require the use of current  
financial resources and therefore are not reported as expenditures in governmental funds.

Subtract: increase in the accrual of compensated absences.	<u>(258)</u>
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**CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$30,278**

The accompanying notes are an integral part of these financial statements.

## **ONAWAY AREA AMBULANCE SERVICE**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Onaway Area Ambulance Service (The Service) is a joint venture organized to provide ambulance service throughout the Onaway, Michigan area, pursuant to Michigan P.A. 7, Section 10, Paragraph (2), 1967, serving the City of Onaway, the Townships of Allis, Bearinger, Case, Forest, North Allis, Ocqueoc, and Waverly.

The accounting policies of the Onaway Area Ambulance Service conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the most significant policies used by The Service.

#### **THE REPORTING ENTITY**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Onaway Area Ambulance Service and any component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based on the foregoing criteria, the Onaway Area Ambulance Service has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

#### **ECONOMIC DEPENDENCY**

The Service is economically dependent on annual contributions from the participating local units.

#### **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

##### ***Government-Wide Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on The Service as a whole. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The Service's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

(Continued)

## **ONAWAY AREA AMBULANCE SERVICE**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### ***Government-Wide Financial Statements (Continued)***

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, intergovernmental payments and other items are not properly included among program revenues are reported instead as general revenue.

##### ***Fund Financial Statements***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

#### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

#### **FUND TYPES AND MAJOR FUND**

Fund financial statements are provided for The Service's government fund.

The Service reports the following major governmental fund:

**General Fund** - The General Fund is the general operating fund of the Onaway Area Ambulance Service. It is used to account for all financial resources.

# **ONAWAY AREA AMBULANCE SERVICE**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

#### **INVESTMENTS**

Investments are stated at cost and consist of certificates of deposit with maturity values of three months or longer.

#### **RECEIVABLES**

Receivables are reported at gross value less an allowance for uncollectible accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off.

#### **CAPITAL ASSETS**

Capital assets include property, plant and equipment. Capital assets are defined by the government as assets with an initial individual cost of \$2,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	10 – 30 years
Equipment and vehicles	5 – 10 years

#### **COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS**

It is the Service's policy to permit full-time employees to earn personal time off (PTO) that can be accumulated, subject to certain limitations. Paid time off is accrued when incurred in the government-wide statements. A liability for these amounts is reported in the government funds only if they have matured, for example, as a result of employee resignations or retirements. There are no post-employment benefits offered by The Service.

## **ONAWAY AREA AMBULANCE SERVICE**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statement, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The Service has no long-term obligations as of March 31, 2007.

##### **FUND EQUITY**

Reserved fund balances for the governmental fund indicates that portion of fund equity, which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that portion of fund equity for which The Service has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

##### **USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

#### **NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

##### **Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at the end of the year. The Service follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Secretary submits to the Onaway Area Ambulance Service Board a proposed operating budget for the fiscal year commencing on April 1.
2. Public hearings are conducted to obtain taxpayer comments and the individual participating governmental units review and approve the budget.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. Budgeted amounts are as originally adopted, or as amended by the Board.

**ONAWAY AREA AMBULANCE SERVICE**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY  
(CONTINUED)**

**Excess of Expenditures Over Appropriations in Budgetary Funds**

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, The Service's actual expenditures and budgeted expenditures for the government fund is shown on a functional basis. The approved budgets of The Service were adopted to the activity level. The Service incurred expenditures, which exceeded the amount appropriated as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Health and welfare	\$286,710	\$299,549	\$12,839

**NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS**

The caption on the statement of net assets relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

Cash and cash equivalents	\$70,443
Investments (certificates of deposit)	261,308
	<u>\$331,751</u>

**Custodial Credit Risk – Deposits**

At year-end the carrying amounts of cash, cash equivalents and investments were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$176,263	\$181,555
Uninsured – uncollateralized	155,488	155,288
	<u>\$331,751</u>	<u>\$336,843</u>

The Service believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, The Service evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated level are used as depositories. The Service may experience significant fluctuations in deposit balances through the year.

(Continued)

**ONAWAY AREA AMBULANCE SERVICE**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Statutory Authority**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

**NOTE 4: CAPITAL ASSETS**

Capital asset activity of the governmental activities for the current year is as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>April 1, 2006</b>	<b>Additions</b>	<b>Deletions</b>	<b>March 31, 2007</b>
Not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Being Depreciated:				
Building and Improvements	107,295	-	-	107,295
Equipment	84,581	8,655	-	93,236
Vehicles	172,334	-	-	172,334
Subtotal	374,210	8,655	-	382,865
Less accumulated depreciation	(174,572)	(33,309)	-	(207,881)
Total	<u>\$199,638</u>	<u>(\$24,654)</u>	<u>\$ -</u>	<u>\$174,984</u>

Depreciation was charged to the functions as follows:

Health and welfare	<u>\$33,309</u>
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## ***ONAWAY AREA AMBULANCE SERVICE***

### ***NOTES TO FINANCIAL STATEMENTS***

#### **NOTE 5: AMBULANCE SERVICE**

The eight governmental units described in Note 1 established The Service. Each governmental unit provides one representative to the board. The expenses involved in overall operations of The Service are split equally between the eight units, and the expenses associated with ambulance runs within a governmental jurisdiction are absorbed by that governmental unit.

#### **NOTE 6: RISK MANAGEMENT**

The Onaway Area Ambulance Service participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of The Service. The Service pays an annual premium to the Michigan Township Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for property of \$258,000, general liability of \$6,000,000, wrongful acts of \$5,000,000, automobile of \$4,000,000, crime of \$10,000, inland marine liability of \$32,500 and bonding for public officials errors and omissions. Additionally, the Onaway Area Ambulance Service has purchased commercial insurance for workmans compensation benefits. Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.



## **SUPPLEMENTARY INFORMATION**

**ONAWAY AREA AMBULANCE SERVICE  
BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Contributions from local units	\$76,710	\$76,710	\$78,946	\$2,236
Charges for services - sales	189,000	189,000	233,403	44,403
Charges for services - subscriptions	39,000	39,000	32,340	(6,660)
Interest	2,000	2,000	9,117	7,117
Contributions and donations from private sources	-	-	9,588	9,588
<b>TOTAL REVENUES</b>	<b>306,710</b>	<b>306,710</b>	<b>363,394</b>	<b>56,684</b>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	283,710	286,710	299,549	(12,839)
Capital Outlay	23,000	20,000	8,655	11,345
<b>TOTAL EXPENDITURES</b>	<b>306,710</b>	<b>306,710</b>	<b>308,204</b>	<b>(1,494)</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>55,190</b>	<b>55,190</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>336,696</b>	<b>336,696</b>	<b>336,696</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$336,696</b>	<b>\$336,696</b>	<b>\$391,886</b>	<b>\$55,190</b>

August 17, 2007

Members of the Board  
Onaway Area Ambulance Service  
Onaway, Michigan

In planning and performing my audit of the financial statements of the ***Onaway Area Ambulance Service*** as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered the Onaway Area Ambulance Service's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Onaway Area Ambulance Service's internal control. My consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, I do not express an opinion on the effectiveness of the Onaway Area Ambulance Service's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a certain deficiency in internal control that I consider a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Of the following significant deficiencies, Financial Statement Presentation is considered a material weakness.

**Lack of Segregation of Duties**

Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

This condition is generally inherent in organizations the size of the Onaway Area Ambulance Service, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.

**Cash Receipts**

Pre-numbered cash receipts are not fully being used for cash receipts. All revenues collected must be receipted on numerically controlled, printer pre-numbered, three-part official receipts, with the name of the entity printed on the receipt. The receipt must indicate the name of the payer, the date paid, the amount paid, the purpose of payment, whether by check or cash, the account number or name to be posted to, and the person receiving the payment.

The preparation of receipts helps provide the accounting information necessary to reconcile revenues collected with financial statement amounts and is required by the State of Michigan Department of Treasury.

**Budgeting**

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2007 the Onaway Area Ambulance Service incurred expenditures which exceeded the amount appropriated for health and welfare expenditures, as shown in the body of the financial statements.

I suggest that the Board on a periodic basis, review appropriations as compared to actual expenditures and amend the budget as necessary, prior to incurring the expenditures to avoid incurring expenditures in excess of appropriations.

**Financial Statement Preparation**

The Onaway Area Ambulance Service does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures.

However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

Onaway Area Ambulance Service

August 17, 2007

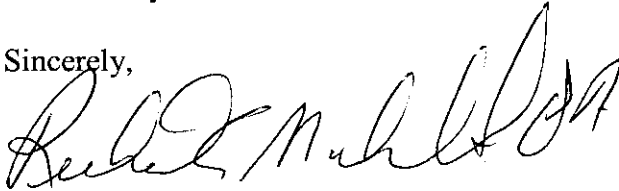
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This communication is intended solely for the information and use of management, the Members of the Board of ***Onaway Area Ambulance Service***, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the opportunity to serve ***Onaway Area Ambulance Service***. Best wishes in the next year.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard E. Mahlmeister". The signature is fluid and cursive, with a large initial "R" and "M".

Richard E. Mahlmeister, C.P.A.

Richard E. Mahlmeister, C.P.A., P.C.